Guide to the Blue Box Program

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Waste Diversion Ontario

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1. The Waste Diversion Act

The Waste Diversion Act (WDA)[1] was passed into law on June 27, 2002. The purpose of the WDA is to promote the reduction, reuse and recycling of waste in Ontario and to provide for the development, implementation and operation of waste diversion programs.

The Minister of the Environment may designate a material through a regulation under the WDA and request that Waste Diversion Ontario (WDO) develop a diversion program for the designated material. The Minister has designated Blue Box Wastes, Used Tires, Used Oil Material and Waste Electronic and Electrical Equipment.

WDO, working co-operatively with an Industry Funding Organization (IFO), responds to the Minister's request by developing a diversion program plan and submitting it to the Minister for approval. After the Ministry of the Environment posts the plan on the Environmental Registry website for a minimum of 30 days for comment, the Minister will approve or reject the plan.

If approved, the Minister files a regulation under the WDA designating the IFO as the organization responsible for implementing the approved plan, with authority to collect fees from industry stewards to cover implementation costs, administer the IFO and contribute to the costs of WDO.

2. The Blue Box Program Plan

Blue Box Wastes were designated under the WDA by regulation O. Reg. 273/02 on September 23, 2002[2]. For the purpose of the *Act,* the regulation defines Blue Box Wastes as: *Waste that consists of any of the following materials, or any combination of them:*

- Glass;
- Metal;
- Paper;
- Plastic;
- Textile[3].

On September 23, 2002 the Minister requested that WDO develop a diversion program for Blue Box Wastes[4]. In response, WDO created an IFO for Blue Box Wastes, called

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[1] The Waste Diversion Act can be found at http://www.ene.gov.on.ca/envision/land/wda/bluebox/bluebox.htm.

[2] O. Reg. 273/02 designating Blue Box Wastes and amended to designate Stewardship Ontario as the IFO for Blue Box Wastes can be found at http://www.ene.gov.on.ca/envision/land/wda/bluebox/bluebox.htm.

[3] Textile is defined in the Blue Box Program Plan (Table 9.2) as 'Natural and synthetic based textile packaging'.

[4] The Minister's correspondence requesting a diversion program plan for Blue Box Wastes can be found at http://www.ene.gov.on.ca/envision/land/wda/bluebox/bluebox.htm.

Stewardship Ontario[5]. Stewards of Blue Box Wastes, defined as brand owners and first importers in the Minister's program request to WDO, can fulfill their financial obligations under the WDA either through membership in Stewardship Ontario or by implementing their own plan, called an Industry Stewardship Plan (ISP)[6], with approval from WDO.

Stewardship Ontario, in consultation with industry stewards and interested stakeholders, developed the Blue Box Program Plan[7] (BBPP). The Plan further defines Blue Box Wastes as consumer packaging material and printed papers commonly found in the residential waste stream.[8] The goal of the BBPP is to increase the diversion of municipal Blue Box materials in an economically sustainable manner.

Under the BBPP, stewards are invoiced by Stewardship Ontario for the following costs:

- Payments to municipalities (outlined in Section 3); and
- Direct program delivery, market development and program administration costs (outlined in Section 4).

3. How WDO Calculates Municipal Blue Box System Costs

3.1 Allowable program costs

The BBPP specifies expenses to be included in calculating gross Blue Box system costs:

- *Direct Service Delivery Costs* include collection and processing costs for residential Blue Box Wastes, whether the service is contracted to the private sector, delivered by the public sector, or a combination thereof.

- *Amortized Capital Costs* including the amortized capital cost of municipally-owned collection vehicles, Material Recovery Facilities (MRF), fixed and mobile equipment within the material collection facility, collection containers and Blue Boxes[9], where the capital costs do not form part of the contract service price from a private sector contractor.

[5] For more information on Stewardship Ontario, refer to www.stewardshipontario.ca.
[6] For more information on Industry Stewardship Plans, refer to WDO's Procedures for Industry Stewardship Plans at http://www.wdo.ca/content/?path=page81+item38390.
[7] The Blue Box Program Plan can be found at www.stewardshipontario.ca/index.asp?ID=43.
[8] For more information on the definitions of printed papers and packaging, refer to Section 2.1.1 and 2.1.2 of the Blue Box Program Plan at www.stewardshipontario.ca/pdf/PlanFeb28/BBPP_Feb28_Chapter2.pdf.
[9] The WDO Board has approved an amortization policy for Blue Boxes to apply only to boxes purchased for distribution to the majority of a municipality's households. Boxes purchased for annual replacement are expensed.

- *Public Awareness and Public Education Costs* including graphic design, production costs, printing, post age, linage rates, air time, etc.;
- *Indirect Administrative Costs* including financial, human resources, information technology and legal costs directly related to direct service delivery issues such as review of tender documents or contract disputes.

The 2003 Municipal Datacall did not require municipal programs to provide interest on debt to acquire buildings, equipment or vehicles and direct or indirect administration costs.

Stewardship Ontario and the Association of Municipalities of Ontario (AMO) agreed, for the 2003 Blue Box Program cost calculation, to exclude interest on capital debt and to utilize a factor for administration costs of 1% for programs that contract for Blue Box services and 3% for programs that provide Blue Box services directly.

The BBPP outlines the following revenues to be included in the calculation of the gross Blue Box system revenues:

- *Revenue from the Sale of Blue Box Wastes*, excluding revenue retained by private sector contractors under revenue sharing agreements with municipalities, on the basis that this risk sharing arrangement reduces direct service delivery costs;
- *Processing Fees*, including processing fees charged at municipal MRFs for processing residential Blue Box Wastes from other municipalities;
- *Revenue from the Sale of Curbside Containers*, where the purchase cost of containers is included in the gross cost calculation;
- *Revenue from Grants or Other Funding*, including funds intended to offset direct service delivery or public awareness and education costs.

3.2 Annual WDO municipal survey

WDO is responsible for collecting program data from municipalities. The Municipal Tonnage Datacall requests program data and previous year's tonnage data for Blue Box materials. The program and tonnage data are used to populate the Municipal Funding Allocation Model which is used to allocate funding to municipal programs.

The Municipal Blue Box Financial Datacall was initiated in 2003 to request detailed municipal costs and revenues for Blue Box programs in 2002. The 2003 Blue Box Financial Datacall was the first comprehensive survey of all municipal Blue Box programs in Ontario and provides a baseline for year-over-year comparison of future costs. The Blue Box Financial Datacall is used to determine the net Blue Box system cost and to calculate stewards' 50 percent contribution.

The Blue Box Tonnage and Financial Datacall results by municipality are available on the WDO website at www.wdo.ca.

See Appendix A for a detailed definition of residential Blue Box materials used to support the Blue Box Tonnage and Financial Datacall.

3.3 Verifying municipal costs

WDO undertakes a comprehensive verification process of both the Tonnage and Blue Box Financial Datacall submissions to confirm that the data are accurate and attributable to the Blue Box program.

Verification of Blue Box Tonnage Datacall submissions involves a year-over-year comparison of Blue Box tonnes marketed in relation to households served; materials marketed in relation to materials available in the residential waste stream; and household recovery rates by material.

Verification of Blue Box Financial Datacall submissions involves year-over-year comparison of Blue Box costs in relation to households served; year-over-year variance calculation for each cost category for each program; and analysis of gross costs, revenues and net costs by groupings of similar municipalities.

See Appendix B for a more detailed description of the verification process.

3.4 Calculating Stewardship Ontario's funding to municipal programs

Following verification of the Blue Box Tonnage and Financial Datacall submissions, WDO calculates Stewardship Ontario's annual obligation as follows:

Total gross cost
— three-year rolling average revenue
= Net Blue Box system costs
X 50%
= Stewardship Ontario funding to municipal programs

A weighted three-year rolling average for Blue Box revenue is used to balance fluctuations in commodity markets and thereby minimize volatility for stewards and municipalities. It is obtained by:

- Calculating the revenue per tonne for the previous two years and the year of the current Datacall;
- Taking an average of these three figures;

- Multiplying the number of tonnes marketed in the Datacall year by the resulting average revenue per tonne.

The stewards' portion of the 2005 net Blue Box system cost is $58.77 million. The stewards' portions of the net Blue Box system cost in 2003 and 2004 ($31.25 and $42 million respectively) were lower because:

- The basis of the 2003 and 2004 fees were negotiated costs (as verified data were not available) and the 2005 fees are based on verified reported costs;
- Municipalities collected more material;
- Material revenues were lower (governed by market conditions);
- Costs included increases related largely to the Consumer Price Index.

Table 3.1
Summary of 2004 and 2005 Blue Box System Costs and Stewards Fees

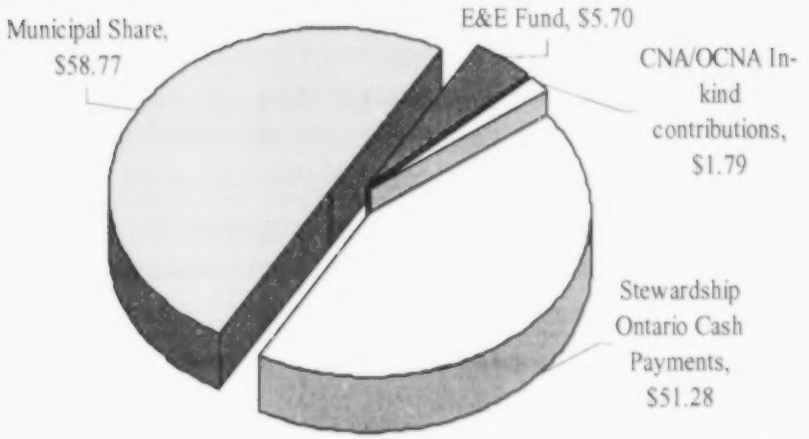
	2001 Data for Feb – June 2004 Fees	2002 Data for July - Dec 2004 Fees	2003 Data for 2005 Fees
Tonnes recovered	693,547	726,726	779,844
Agreed net cost	$62.5 m	$84.0 m	$117.5 m
Industry funding	$31.25 m	$42.0 m	$58.77 m
As % of gross cost	36%	44%	50%

3.5 Distributing municipal program funding

Funding for municipal programs is based on Stewardship Ontario's 50 percent share of the net Blue Box system cost, which is distributed in the form of quarterly cheques to municipal programs. The amount available for distribution is equal to:

- Fifty percent of the net Blue Box system costs:
- Less an in-kind contribution from the Canadian Newspaper Association (CNA) and the Ontario Community Newspaper Association (OCNA);
- Less 10 percent, which is set aside for an Efficiency and Effectiveness (E&E) Fund (see Section 6.1).

Figure 1
2003 Blue Box System Net Cost
Total $117.54 million



Stewardship Ontario fees for 2005 are based upon reported municipal data for 2003 (given the lag time to collect and verify program data). The total funding available for distribution is then apportioned to each municipal program based on the tonnage of each material sold and a series of agreed municipal characteristics including size of program and population density. Payments to individual municipal programs therefore may be less than or greater than 50 percent of their actual net costs. This provides municipalities with an incentive for continuous improvement.

A municipality will be allocated:

- **Relatively greater funding** if it has a low population density, is a relatively smaller program and collects a wide variety of materials (especially less dense plastics);
- **Relatively lower funding** if it has a high population density, is a large program and collects relatively few and easily recycled materials.

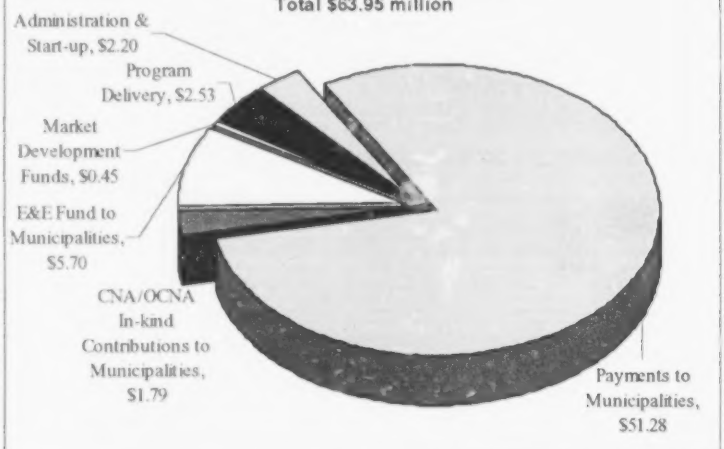
A program may increase the level of funding it receives, as a percentage of its actual cost, by increasing recovery cost-effectively and by reducing its program costs.

4. How Stewardship Ontario Calculates Fees for Stewards

Stewards' fees for 2005 total about $63.95 million and, as shown in Figure 2, comprise:

1. Payments to municipalities;
2. Direct program delivery costs;
3. Market development costs;
4. WDO and Stewardship Ontario start-up and administration costs.

Figure 2
2005 Stewardship Ontario Costs
Total $63.95 million


Administration & Start-up, $2.20
Program Delivery, $2.53
Market Development Funds, $0.45
E&E Fund to Municipalities, $5.70
CNA/OCNA In-kind Contributions to Municipalities, $1.79
Payments to Municipalities, $51.28

4.1 Municipal financial payments

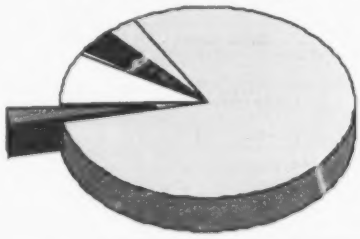
Payments to municipalities make up by far the largest portion of the stewards' fees, approximately 92 percent in 2005. Stewards' annual obligation to municipalities is calculated to be 50 percent of the approved net system cost, amounting to $58.77 million for 2005 (cash payments plus CNA/OCNA, plus the E&E fund), as described in Section 3.

4.1.1 CNA/OCNA in-kind advertising

The CNA/OCNA share of the municipal financial payments is paid through an in-kind contribution of advertising space.

In December 2004, the Minister requested that CNA/OCNA in-kind contribution be expanded to cover their entire municipal financial obligation, amounting to $1.79 million for 2005, thus reducing the total cash payment to municipalities. This amount represents about 2.8 percent of the total fees, as shown in Figure 3.

Figure 3
2005 CNA/OCNA In-kind Contribution
$1.79 million (2.8%)



4.2 Other program delivery and administration costs

In addition to the payments to municipalities, stewards' fees include the cost of additional program delivery activities required as part of the approved BBPP and the cost of Stewardship Ontario and WDO administration.

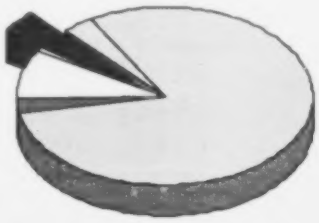
4.2.1 Direct program delivery

There are many activities required of Stewardship Ontario and WDO to implement the approved BBPP. These primarily relate to:

1. Assessing the cost of the Blue Box system and setting fees for specific materials.
2. Registering stewards, collecting fees and ensuring compliance.
3. Distributing funding to municipalities.
4. Ministry of the Environment enforcement costs.

These costs, totaling about $2.53 million, in 2005 are incorporated into the stewards' fees and make up approximately four percent of the fees in 2005 as shown in Figure 4.

Figure 4
2005 Program Delivery Costs
$2.53 million (4.0%)



4.2.2 Market development costs

Stewardship Ontario implements a program of market development activities to:

1. Ensure there are sufficient markets for recovered Blue Box material – to meet overall and material-specific recovery targets to be established over time.
2. Enhance the revenue received for materials – to lower the overall net Blue Box system cost.

In the first year, the market development program focused on green and mixed glass – which represents a large portion of the weight in the packaging stream – because municipalities typically incur a cost when they market this material.

Glass Market Development Projects Approved

1. Nexcycle, based in Guelph, to retrofit their existing operations to process residential mixed broken glass.
2. Siscor, based in Brampton, to contribute to a business plan examining the use of recycled glass in the manufacture of high performance industrial ceiling tiles.
3. Niagara Recycling, to install advanced handling and bagging equipment to manufacture glass based landscaping materials.
4. Rancor, based in Belleville, to assist in marketing glass as an aggregate substitute and to conduct business planning on higher value end-use opportunities.

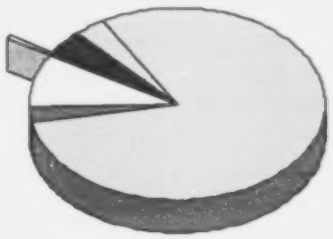
The glass market investment program includes two components:

1. Approximately $2 million to develop a processing system for glass collected by programs in and around the GTA.
2. Support for smaller glass diversion projects in other regions for which approximately $500,000 has been earmarked. Four projects have been approved to date, totaling $285,000.

Anticipating higher recovery rates for plastics in the future, $100,000 has been incorporated into the 2005 fees for preliminary market development feasibility and planning in 2005.

Market development costs in 2005 are about $450,000, just under one percent of total fees, as shown in Figure 5. These costs are applied directly to the materials affected.

Figure 5
2005 Market Development Costs
$0.45 million (<1%)



4.2.3 WDO and Stewardship Ontario administration costs

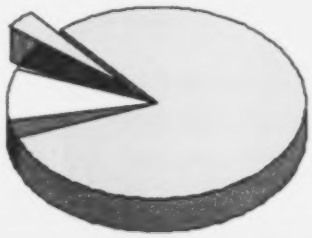
When the Minister approved the BBPP, she requested policies and practices be established to ensure that Stewardship Ontario and WDO administration costs do not exceed five percent of total program costs. For 2005, these costs total $1.31 million, representing approximately two percent of the fees.

In accordance with the policies approved by the Minister[10], administration costs for Stewardship Ontario and WDO include:

- Legal and accounting fees;
- Information technology support;
- Stewardship Ontario customer service centre;
- General administration costs, e.g. salaries, rent and supplies.

[10] Refer to the approved policies and practices to ensure administration costs incurred by Stewardship Ontario and WDO are no more than 5% of total program costs at http://www.ene.gov.on.ca/envision/land/wda/bluebox/bluebox.htm.

Figure 6
2005 Start-up & Administration Costs
$2.2 million (3.4%)



In addition to these administration costs, fees include repayment of the Blue Box Program start-up costs incurred by Stewardship Ontario and WDO before the BBPP commenced in February 2004. Repayment is scheduled over three years. These costs represent just over one percent of the program cost.

As shown in Figure 6, the combined program administration and start-up costs total $2.16 million and represent approximately 3.4 percent of total fees.

4.3 Calculating material-specific fees

The cost of the Blue Box Program is apportioned to specific materials according to rules approved by the Stewardship Ontario Board.

There are separate formulas for allocating each of:

1. Municipal financial payments.
2. Market development costs.
3. Program delivery and administration costs.

4.3.1 Fees associated with municipal payments

Municipal payments are apportioned to Blue Box Wastes according to three factors:

1. **Net Cost – 40 percent**
   The WDA stipulates that stewards' fees reflect the cost to manage each material in the Blue Box system. Therefore, 40 percent of municipal payments are allocated in direct proportion to the net cost to manage each material. The higher the net cost to manage a material, the higher the net cost payment assigned.

   The cost to manage each material is determined through detailed, activity-based, cost studies of representative recycling programs and taking into consideration the average price for recycled materials over the previous three years.

The net effect of the three-factor formula is to transfer a small portion of the costs that would have been incurred by those materials with the highest recycling rates, to those materials with the lowest recycling rates.

The formula is intended to offset the costs of increased diversion.

2. **Recovery Rate – 40 percent**
   The funding formula also is designed to provide an incentive to increase the recovery of Blue Box materials. Therefore, 40 percent of the municipal payments are allocated according to the relative percent recovery rate of each material. The higher the recovery rate of a material, relative to others, the lower the recovery rate payment assigned for each tonne of that material. Materials with the same recovery rate would assume the same recovery rate payment.

   The recovery rate is determined through the annual datacall, together with generation estimates obtained through an on-going program of waste audits and stewards' reports.

3. **Equalization – 20 percent**
   This factor is designed to add and element of fairness to the formula, by considering the cost to achieve a common recovery rate for each material. Twenty percent of the municipal payments are allocated in direct proportion to the incremental cost to achieve a recovery rate of 75 percent for each material. Therefore the lower the current recovery rate, and the higher the cost to manage a material, the higher the equalization payment.

4.3.2 Market development fees

Market development costs are apportioned to specific materials that benefit from targeted market development activities for those materials.

4.3.3 Program delivery and administration fees

Since Stewardship Ontario and WDO program delivery and administration costs are incurred to the benefit of all materials, these costs are allocated according to the relative number of stewards in each category of material (i.e. printed paper, paper packaging, plastic, steel, aluminum and glass). Costs are further allocated to sub-categories according to the relative amount of each material in the group.

4.3.4 Calculation of fees

The fee rates (*dollars per tonne* or *¢ per kilogram*) are calculated by dividing the total fee for each material type by the corresponding number of tonnes of each material generated.

Companies that fall below a threshold of $2 million in sales in Ontario, or which generate less than 15 tonnes of Blue Box Wastes in Ontario, are exempted from paying fees.

4.3.5 Schedule of stewards' fees - 2003 to 2005

Table 4.1
Schedule of Stewards' Fees - 2003 to 2005

Category	2003 Fee Rate (cents/kg)	2004 Fee Rate (cents/kg)	2005 Fee Rate (cents/kg)
PRINTED PAPER			
Newsprint	0.028 ¢/kg	0.026 ¢/kg	0.271 ¢/kg
Newsprint - Non CNA/OCNA	0.028 ¢/kg	0.026 ¢/kg	0.786 ¢/kg
Magazines and catalogues	0.081 ¢/kg	0.310 ¢/kg	0.862 ¢/kg
Telephone books	0.081 ¢/kg	0.687 ¢/kg	1.302 ¢/kg
Other printed paper	0.251 ¢/kg	1.318 ¢/kg	9.029 ¢/kg
PACKAGING			
Paper based packaging	4.728 ¢/kg	5.987 ¢/kg	7.904 ¢/kg
Plastics packaging	6.692 ¢/kg	9.610 ¢/kg	13.907 ¢/kg
Steel packaging	3.633 ¢/kg	4.391 ¢/kg	4.745 ¢/kg
Aluminum cans	-5.465 ¢/kg	-3.193 ¢/kg	-1.093 ¢/kg
Foil & other aluminum pckg.	-5.465 ¢/kg	-3.193 ¢/kg	5.502 ¢/kg
Clear glass packaging	3.723 ¢/kg	3.682 ¢/kg	3.761 ¢/kg
Colour glass packaging	4.016 ¢/kg	3.916 ¢/kg	4.432 ¢/kg

5. Increasing the Recycling of Blue Box Wastes

The quantity of residential Blue Box materials recovered[11] by Ontario municipal programs in 2002 was 727,007 tonnes. Recovery in 2003 was 779,844 tonnes, an increase of 7.3 percent over 2002. Table 5.1 shows generation estimates and reported recovery by material group, indicating overall diversion of Blue Box Wastes to be about 53 percent.

[11] The quantity of materials recovered is calculated by subtracting the quantity of residue as a result of processing materials for sale from the quantity of materials collected.

Table 5.1
Generation and Recovery of Blue Box Wastes in 2003

Material	Quantity Generated (tonnes)	Quantity Recovered (tonnes)	Recovery Rate
Printed Paper			
Newspaper & Magazines	496,300	396,898	74.5%
Other Printed Paper	142,800	60,717	42.5%
Printed Paper Total	639,100	430,614	67.4%
Packaging			
Paper Packaging	328,100	156,902	47.8%
Plastics	219,000	35,382	16.2%
Steel	66,900	32,583	48.7%
Aluminum	26,508	10,113	38.2%
Glass	194,700	114,249	58.7%
Packaging Total	835,208	349,230	41.8%
GRAND TOTAL	1,474,308	779,844	52.9%

Note: Blue Box materials are also recovered through recycling channels other than municipal Blue Box programs. Province-wide recovery rates for materials (e.g. aluminum) will be higher than reported here

The quantity of Blue Box material recovered and recycled is projected to continue to increase through population growth, new programs, extended recycling services and higher capture rates. It is expected that recovery will increase again by five to seven percent in 2005, taking overall recovery to between 820,000 and 835,000 tonnes.

On December 22, 2003, the Minister of the Environment requested that WDO consider a series of new measures and enhancements to the BBPP, including achieving a goal of 60 percent diversion of Blue Box materials by 2008. This is consistent with the Province of Ontario's goal of 60 percent diversion of waste from disposal by 2008.

6. Improving the Efficiency and Effectiveness of Municipal Recycling

6.1 Effectiveness and Efficiency Fund

Ten percent of the Stewardship Ontario municipal transfer payments are distributed through projects designed to encourage greater effectiveness and efficiency of the municipal Blue Box system. The Effectiveness and Efficiency (E&E) Fund began in July 2004 with a total of $3.3 million. Another $5.7 million (10% of the total municipal payments) will be allocated in 2005. The objective of the fund is to reduce the net cost of municipal recycling and to increase diversion of Blue Box Wastes. Given continued increases in diversion and significant increases in costs to stewards over the first two years of the program, the current focus of the fund is to reduce system costs and minimize future increases in these costs while recovering more materials.

The E&E Fund priority areas for 2004/2005 are:

1. MRF rationalization and optimization
2. Promoting recycling in apartment and other multi-family buildings
3. Innovative financing and compliance schemes
4. Benchmarking studies and waste audits
5. Communication and education
6. Cost containment

Funding priorities are reviewed annually and funds are allocated to projects on the basis of applications from municipalities. After a project concept is approved, detailed applications are evaluated by a team of peer reviewers before consideration by Stewardship Ontario, AMO and WDO.

Funding for project applications is generally up to 50 percent, but greater than 50 percent funding may be available for priority projects.

Stewardship Ontario, together with AMO and WDO, are proactive in developing projects with municipalities to ensure the effectiveness of the E&E Fund.

Examples of approved E&E Fund projects include:

- $300,000 for a province-wide residential waste audit program
- $7,250 for an Association of Municipal Recycling Co-ordinators workshop on model Blue Box contracts
- $235,000 for a City of Toronto householder carts vs. bags recycling project
- $10,000 for a City of London multi-residential survey project
- $75,000 to REIC/AMRC to develop model recycling tender and contract documents
- $142,000 to the County of Oxford/AMRC to identify best practices in municipal Blue Box promotion and education

6.2 Municipal program reviews

Stewardship Ontario or AMO may also recommend that a municipal recycling program be reviewed because its reported costs are high relative to similar communities - for no obvious reasons. Program reviews are intended to identify programs areas where improvements can be made, possibly through application to the E&E Fund. Detailed program reviews are also conducted in a sample of municipalities to determine the cost to manage each material type for the purpose of setting stewards' fees.

6.3 Cost containment initiatives

When the Minister approved the BBPP, the Minister also requested that WDO establish principles, policies and practices to contain the cost of the Blue Box Program. When the Minister approved the 2005 stewards' fees, the Minister also approved WDO's report entitled *"Cost Containment Principles, Policies and Practices"*, and requested an accelerated timetable for implementation.

The WDO has approved a revised strategy[12] to address the Minister's request involving:

- Defining *reasonable costs* to reduce the net system cost from the 2004 reported cost for setting 2006 fees;
- Defining *best practice costs* to reduce the net system cost from the 2006 reported cost for setting 2008 fees;
- Including *interest on municipal capital* as part of reasonable cost for setting 2006 fees;
- Including *best practice administration costs* as part of reasonable cost for setting 2007 fees;
- Adding assistance to programs incurring *costs outside of the defined reasonable costs* to the E&E Fund priorities.

WDO's cost containment report outlines cost containment initiatives to be implemented by municipalities, WDO, Stewardship Ontario and stewards.

See Appendix C for a more detailed list of cost containment initiatives.

7. Next Steps

This report is the first in what will be regular annual reports on the Blue Box Program Plan. The next report will be issued by WDO in the fall of 2005 and will include:

- The quantity of materials recovered by the Blue Box system in 2004;
- The cost of operating the Blue Box system in 2004;
- Calculation of stewards' fees for 2006;
- An update on the implementation of cost containment initiatives; and
- Comments on the overall performance of the Blue Box Program Plan.

[12] Refer to the revised cost containment plan submitted to the Minister on January 31, 2005 at http://www.wdo.ca/content/?path=page80+item45038

Appendix A

Definition of Residential Blue Box Materials

For the purpose of the Blue Box Tonnage and Financial Datacall, WDO has defined residential Blue Box materials as materials originating from the following sources:

For collection

- Municipal collection[13] of single and multi-family dwellings of permanent or seasonal residences (including rental, cooperative or condominium residential);
- Municipal collection of senior citizen residences and long-term care facilities;
- Municipal collection from public and secondary schools, collected as part of a residential collection route;
- The residential component of publicly operated (municipally-owned or contracted) drop-off depots, at dedicated depots or depots at landfill sites;
- Permanently-placed, public-space recycling containers anchored in the ground – if they are collected as part of a residential collection route.

For processing

- Public or municipal contract-based collected materials from single and multi-family dwellings of permanent or seasonal residences (including rental, cooperative or condominium residential);
- Public or municipal contract-based collected materials from senior citizen residences and long-term care facilities;
- Privately collected materials from senior citizen residences and long term care facilities, where the materials are processed at a municipally-owned Material Recovery Facility;
- Public or municipal contract-based collected materials from public and secondary schools;
- Privately collected materials from public and secondary schools where the materials are processed at a municipally-owned MRF;
- Residential components of publicly operated (municipally owned or contracted) drop-off depots, located either at dedicated depots or landfill sites;
- Permanently placed bins that may be anchored in the ground (e.g. OMG Media Bins or equivalent) or permanent fixtures within a location (e.g. bins in public parks) public space recycling containers where the materials were collected as part of a residential collection route.

[13] Municipal collection includes collection by municipal forces or collection by private companies under contract to municipalities.

Appendix B

Verification of Municipal Datacall Submissions

Verification of Blue Box **Tonnage Datacall** submissions involves the following activities:

- Year-over-year comparison of Blue Box tonnes marketed, in relation to households served;
- Comparison of materials marketed to materials available in the residential waste stream, to ensure materials recovered from industrial, commercial and institutional generators are excluded;
- Comparison of household recovery rates, by material, to ensure that materials recovered from industrial, commercial and institutional generators are excluded;
- Direct communication with municipal programs to request clarification or additional information were discrepancies are identified;
- Adjusting Blue Box tonnes marketed where discrepancies are confirmed or where the municipal program cannot provide additional supporting information.

Verification of Blue Box **Financial Datacall** submissions involves the following activities:

- Year-over-year comparison of Blue Box costs in relation to households served;
- Year-over-year variance calculation for each cost category for each program;
- Analysis of gross costs, revenues and net costs by municipal groups; to calculate the mean and one standard deviation above and below the mean;
- Direct communication with municipal programs for all costs greater than one standard deviation above the mean, to request additional information to support higher-than-average costs for that program's municipal group;
- Direct communication with municipal programs for all revenues less than one standard deviation below the mean, to request additional information to support the lower-than-average revenues for that program's municipal group;
- Adjusting Blue Box costs and revenues where discrepancies are confirmed or where additional supporting information cannot be provided by the municipal program;
- Removing costs associated with tonnage adjustments.

Appendix C

Cost Containment Initiatives

Municipal cost containment initiatives

Municipal programs typically use a number of different strategies to control program costs, such as:

To contain incurred service costs:

- Multiple-bidder publicly advertised tender processes;
- Stringent review of bids or 'managed competition';
- Regular contractor reviews/audits;
- Standard contract wordage for cost-of-living escalators and extension of unit pricing to added households;
- Use of publicly owned material recovery facilities to ensure a competitive bidding process for operations.

To contain incurred departmental costs:

- Annual budgetary reviews of all items from first principles;
- Specific reviews of new, special and/or additional projects;
- Review by council of annual Municipal Performance Measurement Program data related to collection costs, number of public complaints per 1,000 households;
- Analysis of the usefulness of public information and education activities.

Other cost containment programs

- User pay and bag limits;
- Landfill bans of specific recyclable material;
- Regular reviews of market pricing/revenues from sale of recycled material;
- Membership in professional organizations, to facilitate exchange of best practices.

Municipal programs may be constrained to achieve cost containment where circumstances are outside of their control such as:

- Wages and benefits for employees as determined by the provincially-run arbitration process;
- Costs of the Ontario Municipal Employees Retirement System pension fund;
- Provincial regulatory requirements and program standards.

Initiatives outlined in "*Cost Containment Principles, Policies and Practices*" that will be implemented by Ontario municipalities include:

- Adopting user-pay waste management charges/bag limits;
- Co-operating with other municipalities and private sector operators to integrate recycling program services - to improve economies of scale and cost effectiveness;
- Adopting best practices identified by WDO through analysis of municipal datacall data and other research.

WDO cost containment initiatives

Working co-operatively, through the Municipal-Industry Program Committee (MIPC) of Waste Diversion Ontario, Stewardship Ontario and the Association of Municipalities of Ontario will implement initiatives outlined in the cost containment plan. They include:

- Identifying collection and processing contract arrangements and program characteristics that reduce costs, while maintaining or increasing material recovery, and sharing these best practices with municipalities;
- Developing a detailed definition of *acceptable best practice administration costs* by 2006 for application in 2007;
- Defining *reasonable costs* and *cost band ranges* for specific municipal groups to reduce their 2004 net system cost, for the purpose of setting fees for 2006;
- Determining the *best practice costs,* for setting fees in 2008.

Stewardship Ontario cost containment initiatives

Initiatives outlined in the cost containment plan, to be implemented directly by Stewardship Ontario, include:

- Establishing *green* procurement protocols;
- Developing higher-value glass markets;
- Assessing market development levies for materials other than glass, to support stronger markets for these materials;
- Administering the Efficiency and Effectiveness (E&E) Fund;
- Designing a voluntary, co-operative marketing service.

Stewards cost containment initiatives

Stewardship Ontario is also responsible for coordinating initiatives that will be implemented by stewards of Blue Box Wastes. These include:

- Minimizing use of materials that generate Blue Box Wastes;
- Using, where possible, materials that can be cost-effectively managed in the Blue Box program;

- Enhancing material markets through procurement and other market development initiatives, to maximize revenues;
- Promoting householder participation in municipal recycling programs, through education and marketing campaigns.

Appendix D

Sources of Additional Information

Waste Diversion Ontario
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North York, Ontario M2N 5W9
T: 416 226 5114
F: 416 226 1368
Email : wdo@wdo.ca
www.wdo.ca

Stewardship Ontario
26 Wellington Street East, Suite 601
Toronto, Ontario M5E 1S2
T: 1-888-288-3360 - Customer Service
F: 416-594-3463
Email: customerservice@stewardshipontario.ca / info@stewardshipontario.ca
www.stewardshipontario.ca

Association of Municipalities of Ontario
393 University Avenue, Suite 1701
Toronto, Ontario M5G 1E6
T: 416 971 9856, toll free 1 800 426 6527
F: 416 971 6191
www.amo.on.ca

Ministry of the Environment
135 St. Clair Avenue West, 7th Floor
Toronto, Ontario M4V 1P5
T: 416 325 4440
F: 416 325 4437
BlueBox@ene.gov.on.ca
www.ene.gov.on.ca

Appendix E

Glossary

BBPP	Blue Box Program Plan
CNA	Canadian Newspaper Association
CNA/OCNA	Canadian Newspaper Association/ Ontario Community Newspaper Association
E&E	Effectiveness and Efficiency (Fund)
IFO	Industry Funding Organization
ISP	Industry Stewardship Plan
MIPC	Municipal-Industry Program Committee
MRF	Material Recovery Facility
OCNA	Ontario Community Newspaper Association
WDA	Waste Diversion Act
WDO	Waste Diversion Ontario